

Message Text

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ACTION XMB-04

INFO OCT-01 EA-06 ISO-00 NSC-05 NSCE-00 SP-02 AID-05 EB-07

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 OPIC-03 LAB-04

SIL-01 L-02 H-01 PA-01 PRS-01 SAJ-01 SAM-01 /071 W

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FM AMEMBASSY TOKYO

TO AMCONSUL HONG KONG

INFO SECSTATE WASHDC 6566

USLO PEKING

C O N F I D E N T I A L TOKYO 15968

PASS TREASURY, EXIM, AND COMMERCE

E.O. 11652: GDS

TAGS: JA, ECEM, CH

SUBJ: JAPANESE EXIM CREDITS TO CHINA

REF: A. TOKYO 12194

B. HONG KONG 10781

1. SUMMARY. REGRET DELAY RESPONDING TO REFTEL (B).
EMBOFF TOOK OPPORTUNITY OF CALL ON JAPAN EXIM BANK BY
COMMERCE DEPT OFFICIAL GRAHAM METSON TO RAISE REFTEL B
QUESTIONS WITH NOBUAKI TAKAKURA, DIRECTOR OF OVERSEAS
INVESTMENT CONSULTING OFFICE, WHO HAD JUST RETURNED PRE-
VIOUS DAY FROM 3 WEEK TRIP TO CHINA AS MEMBER OF 7 PER-
SON DELEGATION HEADED BY JAPAN EXIM BANK PRESIDENT SUM-
ITA. GROUP HAD VISITED CHINA AT INVITATION OF BANK OF
CHINA (BOC) TO "FURTHER FRIENDLY RELATIONS" AND NOT FOR
SUBSTANTIVE CONVERSATIONS. TAKAKURA PROVIDED FULL AND
CANDID INFO ON EXIM POLICIES AND PROCEDURES WITH RESPECT
TO PRC TRADE, AS WELL AS OFFERING OBSERVATIONS ON CURRENT
CHINESE ATTITUDES AND CONDITIONS. WHICH GIVEN BELOW. END
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SUMMARY.

2. JAPAN EXIM CREDIT NOT PROVIDED DIRECTLY TO CHINA (OR ANY OTHER COUNTRY); RATHER YEN CREDIT EXTENDED TO JAPANESE EXPORTER. USUAL MIX ON DEFERRED PAYMENT BASIS 80 PERCENT EXIM CREDIT, 20 PERCENT COMMERCIAL BANK CREDIT. SETTLEMENT IS EFFECTED THROUGH AUTHORIZED JAPANESE FOREIGN EXCHANGE BANKS.

3. NORMAL PERIOD OF REPAYMENT IS FIVE YEARS, CALCULATED FROM DATE OF LAST EQUIPMENT SHIPMENT. (THIS METHOD OF MATURITY CALCULATION ALSO CONFIRMED BY MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OFFICIAL IN CHARGE OF CHINESE AFFAIRS). TWENTY PERCENT DOWNPAYMENT IS NORMALLY DUE AT TIME OF SIGNING OF CONTRACT.

4. COMBINED EXIM/COMMERCIAL INTEREST RATE OF ABOUT SIX PERCENT WAS APPROVED FOR 1972 SALE OF ETHYLENE PLANT (REFTEL A). NO DECISIONS HAVE YET BEEN MADE ON INTEREST RATES FOR REMAINING 14 PROJECTS UNDER CONSIDERATION. IN DISCUSSIONS WITH BOC, SUMITA RAISED IN GENERAL TERMS "GENTLEMAN'S AGREEMENT" (RECENTLY SIGNED IN WASHINGTON BY BIG SIX COUNTRIES) SETTING MINIMUM 7.5 PERCENT INTEREST RATE. ACCORDING TO TAKAKURA, CHINESE REPLIED THAT INTEREST RATES WERE MATTER FOR DISCUSSION BETWEEN CHINESE IMPORTING TRADE COMPANY AND JAPANESE EXPORTER AND NOT APPROPRIATE FOR DISCUSSION BETWEEN GOVERNMENTAL BANKS. HE SAID CHINESE ALSO CLAIMED THEY HAD ASKED U.S. EXIM PRESIDENT CASEY IN WASHINGTON WHETHER "AGREEMENT" EXISTED ON 7.5 PERCENT FIGURE, BUT THAT CASEY HAD REFUSED TO CONFIRM THIS. SUMITA THEN REPORTEDLY EXPLAINED TO CHINESE THAT WHILE AGREEMENT WAS INFORMAL AND DETAILS REMAIN TO BE WORKED OUT, GENERAL JAPANESE LINE IN FAVOR OF 7.5 PERCENT RATE HAD BEEN ESTABLISHED. HE CLEARLY IMPLIED THAT FUTURE RATES WOULD HAVE TO TAKE THIS INTO ACCOUNT.

5. IN RESPONSE TO METSON RUMINATIONS ON FUTURE CHINESE INVESTMENT POLICY, TAKAKURA SAID HE HAD DETECTED NO SOFTENING IN CHINESE RELUCTANCE TO SEEK FOREIGN FINANCING FOR NATURAL RESOURCES DEVELOPMENT. HE COMPARED

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CHINESE AVERSION TO DEPENDENCE ON FOREIGN CREDIT TO JAPANESE "ALLERGY" TO NUCLEAR WEAPONS. TAKAKURA ACKNOWLEDGED, HOWEVER, CHINESE COMMERCIAL CREDIT POLICY HAD CHANGED IN PAST AND DEVELOPMENT CREDIT POLICY COULD DO SO ALSO, ESPECIALLY IF NEXT FIVE YEAR PLAN SUCCEEDS IN SETTING STAGE FOR RAPID INDUSTRIALIZATION.

6. SUMITA DELEGATION ALSO VISITED TACHING AND A LOCATION

TAKAKURA IDENTIFIED AS "TAIKO" NEAR TIENTSIN, WHICH WE PRESUME IS TAKANG. ALTHOUGH GROUP WAS TOLD "TAIKO" RESERVES EVEN GREATER THAN TACHING'S, AND HAVE VERY LOW SULPHUR CONTENT, DELEGATION WAS MOST IMPRESSED BY PRIMITIVENESS OF DRILLING OPERATIONS. DELEGATION'S GENERAL IMPRESSION WAS THAT LARGE INDUCTION OF MODERN TECHNOLOGY AND CAPITAL WILL BE NECESSARY FOR ANY SIGNIFICANT ACCELERATION OF OIL PRODUCTION.
SHOESMITH

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